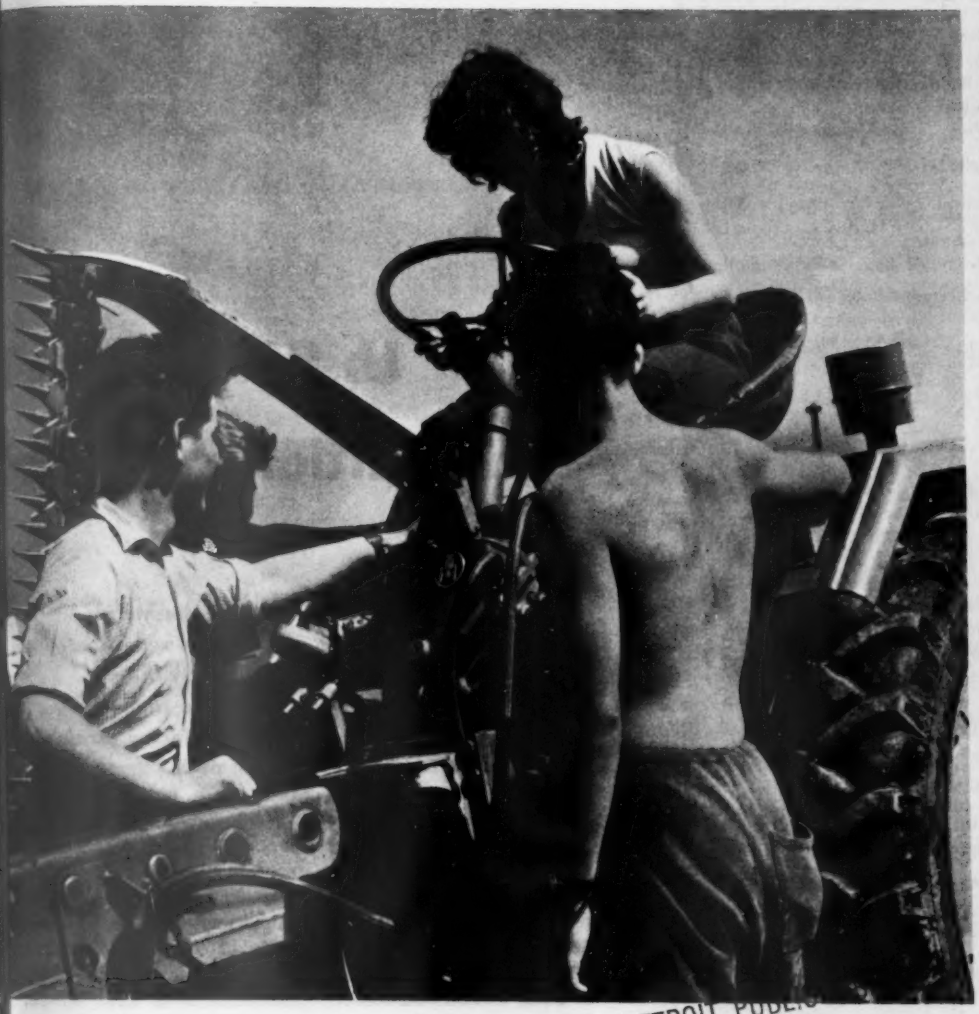
aS.8
F591f7

FOREIGN AGRICULTURE



April 3, 1972

DETROIT PUBLIC
JUL 1 1973
TECHNOLOGY & SCIENCE

U.S. Tobacco's Problems in EC

Poland and Czechoslovakia Stress Meat and Milk Output

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

Vol. X • No. 14 • April 3, 1972

In this issue:

2 U.S. Presses To Maintain Access to Traditional Tobacco Markets in EC Nations
By Clarence D. Palmby

5 U.S. Calves Flourish in New Korean Feedlot

6 Poland and Czechoslovakia To Produce More Meat and Milk By Harold C. Champeau

8 Australia Seeks To Boost Exports by Promotion

9 Brazil's Untamed Cerrado: Potential Farms
By John C. McDonald

10 Crops and Markets

This week's cover:

Young men study a piece of heavy machinery on a farm in Czechoslovakia. Each year 40,000 students of secondary agricultural schools and 16,000 graduates of the University of Agriculture are recruited for work on Czechoslovakia's large-scale, mechanized farms. Both Czechoslovakia and Poland have focused current 5-year plans on providing more and better foods for their people. See story beginning on page 6.

Earl L. Butz, Secretary of Agriculture

Clarence D. Palmby, Assistant Secretary for International Affairs and Commodity Programs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editorial Staff:

Kay Owsley Patterson, Editor
Janet F. Beal, Associate Editor; Marcellus P. Murphy, Isabel A. Smith, Lloyd J. Fleck.

Advisory Board:

Kenneth F. McDaniel, Chairman; Horace J. Davis, Anthony R. DeFelice, Robert H. Ingram, Kenneth K. Krogh, J. Don Looper, Larry B. Marton, Donald M. Rubel, Larry F. Thomasson, Quentin M. West, Joseph W. Willett.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

U. S. Presses Main
To Traditional Tobacc lar

Clarence D. Palmby, ***Assistant Secretary of Agriculture, outlines U.S. position on retention of its tobacco trade in Europe—particularly the United Kingdom and Germany—in a statement before the Senate Subcommittee on Agricultural Exports, February 23, 1972.***

Tobacco exports are vital in U.S. foreign trade. The United States is the world's largest exporter, accounting for about one-third of the world's tobacco trade. In 1971, U.S. exports of leaf tobacco and manufactured products were a near-record $684 million; the record, reached in 1969, was $696 million. Last year, exports consisted of unmanufactured leaf valued at $462 million and tobacco products at over $221 million. U.S. imports of tobacco and tobacco products last year were valued at about $159 million. Thus, U.S. foreign trade in tobacco resulted in a net favorable balance of about $525 million.

Tobacco, however, presents as knotty and complex a situation as any faced by the United States in its agricultural export position in Europe because of the importance of the European Community (EC) market for U.S. tobacco exports.

The EC already is the largest single U.S. market for unmanufactured tobacco, and after enlargement will account for over 60 percent of total U.S. tobacco exports, representing about 30 percent of the enlarged EC's raw tobacco purchases from abroad. Within the enlarged EC the two best U.S. markets are the United Kingdom, which manufactures high-quality cigarettes made from 100 percent Virginia flue-cured tobacco, and Germany, which manufactures American-type blends using about 50 percent U.S. leaf.

Europe has not traditionally been a producer of the light, high-quality tobaccos which make up the bulk of U.S. ship-

ments-
pound
one-th
more,
and h
tobacc
millio
millio
harves
cured
cigare
Ma
and c
Brazil
South
to 3
states
assoc
the c
Sev
prese
eign
U.
Fi
the
whic
vides
auto
leaf
subsi
an e
coul
gran
in p
on c

es Maintain Access
acc larkets in EC Nations

ments—213 million pounds of flue-cured and 22 million pounds of burley in 1971. The present EC does produce about one-third of its annual leaf requirement, however. Furthermore, Italy has the capacity to produce light cigarette tobacco and has been trying to expand its burley and flue-cured tobacco capacities. In 1971, Italy produced a total of 175 million pounds of which 78.7 million were burley and 15 million flue-cured. France, the other major EC producer, harvested 97 million pounds in 1971, primarily of dark air-cured tobacco which is used for domestic production of dark cigarettes.

Major foreign suppliers of oriental and low-priced cigarette and dark tobaccos to the EC have been Greece, Turkey, Brazil, South Africa, Indonesia, Japan, Mainland China, and South Korea. In 1970, it is estimated that the EC bought 2 to 3 percent of its total imports from associated African states. U.K. Commonwealth members, which have recently associated with the EC or will do so after U.K. entry, have the capacity to produce tobaccos competitive with U.S. leaf.

Several features of the EC tobacco policy in combination, present a serious threat to U.S. tobacco exports. (See *Foreign Agriculture*, Mar. 29 and Aug. 30, 1971.)

U.S. tobacco faces three kinds of problems in the EC:

First, there are those which stem from the introduction of the Common Agricultural Policy (CAP) for raw tobacco, which the EC began implementing in 1970. This CAP provides for very high guaranteed prices with no effective or automatic production controls. To assure consumption of EC leaf it provides for a buyer's premium which is a lucrative subsidy to the purchaser of EC leaf. It makes provisions for an export subsidy and also for a safeguard clause which could be used to restrict imports. This part of the EC's program will stimulate production and ensure that it is sold in preference to the U.S. products, either in the EC itself or on outside markets.

Second, there are those problems created by the common external tariff of the EC and the preferential treatment accorded to raw tobacco from associated states. This feature of the EC tobacco policy makes it more difficult for U.S. tobacco to compete with associated states and also most other non-EC members. The associated states, along with those that may enjoy duty-free status after enlargement, have a potential for substantially increasing trade with the EC.

Third, there are those which arise from continuation of state tobacco monopolies in Italy and France, and the creation of a common excise tax for manufactured tobacco products to be made fully effective by 1980. The EC is reforming the monopoly system, but decisions made thus far by the EC represent little reform. The monopolies continue to control retail trade, and thus access for products from other countries will remain limited. If the EC adopts an excise tax system which discriminates against tobacco products made from high-quality tobacco, U.S. exports of tobacco to that market will be adversely affected. Already, the tax structure in Germany has been changed to the disadvantage of the United States.

What has the U.S. Administration been doing to come to some understanding with the EC that would assure U.S. tobacco growers and exporters of continued market access to an enlarged Community?

As far back as 1966, the Administration then in office made known to the EC Commission at the highest levels its serious concern regarding the then proposed CAP for tobacco. In April 1967, it submitted an aide memoire to the Commission and to EC Member Governments protesting that the buyer's premium would give added tariff protection to EC tobacco. According to U.S. spokesmen, this device clearly would impair the tariff binding negotiated by the EC with the United States during the Kennedy Round.

The EC reply was unresponsive, and in January 1968, formal consultations were held between a U.S. tobacco team, consisting of tobacco trade officials and Government representatives, and the EC Commission in Brussels. There U.S. representatives pointed out that because the buyer's premium would impair a bound tariff concession, it would be in violation of GATT Article III, paragraph 4, which basically provides that a country may not treat imported goods less favorably than like products of national origin.

The United States renewed its protests again in October 1969 and in March 1970.

After the raw tobacco CAP was implemented in July

ITALY: BURLEY TOBACCO PRODUCTION AND PRICES, CROP YEARS, 1967-69 AVERAGE AND 1970-71

Crop year	Production	Grower's price		Purchaser's cost price [1]	
		Grade A	All grades	Grade A	All grades
	1,000 pounds	*U.S. cents per lb.*	*U.S. cents per lb.*	*U.S. cents per lb.*	*U.S. cents per lb.*
Average 1967-69 ..	53,453	52.1	36.0	52.1	36.0
1970	68,784	64.6	[2]51.0	34.2	20.6
1971 [3]	78,705	64.6	[2]52.0	35.8	23.2

[1] A buyer's premium of 30.4 U.S. cents was paid to purchasers in 1970 and 28.8 U.S. cents in 1971.
[2] Growers received the benefit of high guaranteed prices.
[3] Preliminary.

1970, the present Administration sought relief under GATT Article XXIII, paragraph 1. (GATT Articles XXII and XXIII set forth the procedures for seeking relief from another Contracting Party when it fails to meet its obligations under the Agreement. Basically, these call for informal representations, informal bilateral consultations, written representations which are notified to the GATT, formal bilateral consultations, and review by a working party of the GATT. If satisfaction is not received, the aggrieved party can retaliate.)

During the course of the Article XXIII consultations, which were held in Brussels in December 1970, U.S. representatives stressed not only the protectionist effect of the buyer's premium, but also the production-stimulating effect of the extremely high level of price supports and the inappropriateness of continuing the tobacco monopolies within the context of a unified EC market for unmanufactured tobacco.

These consultations produced the first positive response by the EC. Letters were exchanged between the United States and the EC in which the latter agreed to resume consultations whenever the United States could show positive evidence of trade damage resulting from the raw tobacco CAP. Since such evidence was available, the United States immediately took advantage of this opportunity. The results of the first year's operation of the EC CAP showed that production had increased within the EC while U.S. exports were falling off.

Consultations were reopened last July. With the President's economic announcement of August 15, these consultations were temporarily suspended. Instead, attention turned to the bilateral talks which the United States initiated with the EC.

The United States decided that since the GATT XXIII consultations were already focusing on the buyer's premium, it would be most sensible to concentrate on obtaining a meaningful commitment on excise tax harmonization during the general round of trade talks. This was a direction which has not yet been taken and it was one where, in the opinion of U.S. representatives, the United States and some members and prospective members would see eye to eye.

Initially the United States requested that the EC adopt a harmonized excise tax on cigarettes containing a 25 percent ad valorem element and a 75 percent specific element. In making this request the United States had in mind the first stage tax formula already adopted by Germany, which is currently the biggest U.S. export market in the EC, and the applicability of the formula to the United Kingdom, the other major market, where the tobacco excise is currently essentially 100 percent specific.

In the context of the recently concluded talks, U.S. representatives would have been prepared to accept an EC commitment that the Community tax system not contain a specific element representing less than 50 percent of the total amount of the tax levied on the retail price of the most popular cigarettes, providing that the tax on value added be included in calculating the ad valorem element.

The EC did agree that the excise tax system would be balanced and reasonable for all interests involved, and declared its willingness to consult further with the United States at an appropriate time.

However, since no commitment was made as to the exact formula of the final tax, the United States will continue to press for a 75 percent specific/25 percent ad valorem split whenever the matter comes up for discussion.

During the course of the recent talks U.S. spokesmen also brought up the matter of the EC tariff classification for tobacco leaf valued at $1.27 and over per pound, which the United States would prefer to see abolished or in any case recast so that it does not apply to high-priced U.S. cigarette leaf. The response to this request was negative, but there are indications that the matter may be negotiable at a later date.

These results do not represent a solution to the problems which the U.S. tobacco industry faces in the EC market. They do represent a start, however. During the next 2 years there will be further opportunity to review these matters with the EC within the context of the GATT Article XXIV consideration of the terms of membership of the United Kingdom, Denmark, Norway, and Ireland in the EC.

The U.S. Department of Agriculture certainly intends to include tobacco as one of its priorities for settlement during the preliminary trade talks in 1972 and the general negotiations in 1973 to which the EC, Canada, Japan, and the United States have committed themselves, assuming enabling legislation is passed.

USDA also will watch the situation carefully and continue to make the strongest possible bilateral representations, both to the EC Commission and to the individual member and applicant member governments, as the opportunity arises.

It is imperative that the United States press forward with its efforts in view of the rising interest being expressed by various spokesmen for the EC in resolving all U.S. agricultural trade problems through internationally negotiated commodity agreements. Only last month, for example, Dr. Sicco Mansholt, vice president of the EC Commission, speaking in the Netherlands before a symposium on the United Nations Committee for Trade and Development, suggested that an international agreement for tobacco offered a means of dealing with troubles in the tobacco trade. He suggested an agreement be studied. He indicated that the FAO had predicted "an approximative world equilibrium" in the 1980's.

If what the EC has in mind by world equilibrium in the 1980's means a situation in which world tobacco production has expanded in other areas of the world and been cut back in the United States, this view of the development of world production and trade in raw tobacco cannot be allowed to prevail.

For this reason, to help U.S. tobacco growers and exporters maintain their markets, USDA intends to press forward strongly, using every negotiating tool available, to come to a satisfactory agreement with the enlarged EC regarding market access for U.S. agricultural exports.

USDA's priority goals for tobacco in the seventies include:

- A commitment from the EC that the total excise tax on manufactured tobacco products will provide for a specific element of at least 75 percent.
- Modification of the CXT on raw tobacco so that a single specific rate of 12.7 cents per pound is applied across the board. (This is not an unreasonable request. Last year the United States imported about 164 million pounds of oriental leaf on which the duty was 11.5 cents per pound. The U.S. import duty on flue-cured and burley is 12.75 cents.)
- Phaseout of tariff preferences.
- Phaseout of tobacco monopolies.
- Establishment of price supports and buyer's premiums at realistic levels.

These goals are ambitious, but they are just. USDA will do its utmost to achieve these goals with the cooperation of U.S. tobacco growers and exporters.

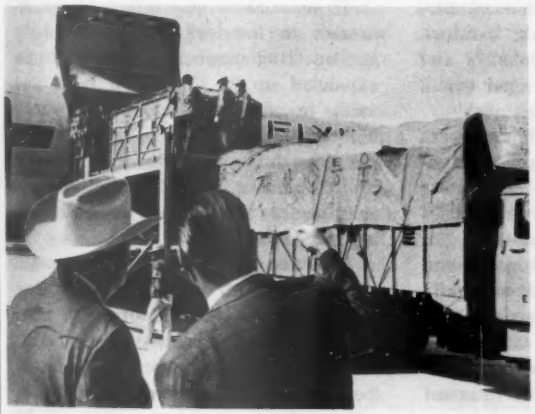
U.S. Calves Flourish in New Korean Feedlot

JUST outside Seoul, in Korea, is a new American-style feedlot where U.S. calves and Korean cattlemen are halfway through an 8-month pilot project testing whether the grain feeding of cattle is economically feasible in East Asia. The project is being operated by the Daehan Livestock and Feed Co. of Seoul, under a cooperative agreement with the U.S. Feed Grains Council.

The project officially opened on October 20, when 264 U.S. calves—mostly beef crosses, with some Holsteins—landed in Korea after a flight from Oklahoma. After 4 months on a feed mixture including U.S. ground corn and dehydrated alfalfa pellets, the immigrants have doubled their average original weight, growing from 310.2 pounds to more than 630. Death losses, all among younger and lighter calves, have totaled six, attributable to respiratory and acidosis problems.

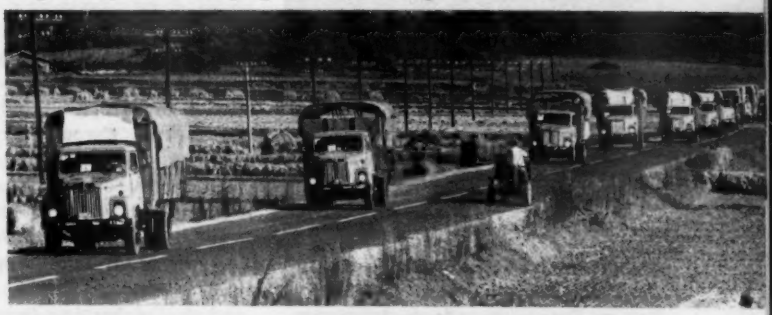
Impressive to Korean observers are both the kind and the amount of feed. Feed is added to the bunkers four times daily, so the calves have feed in front of them at all times. The Korean practice—reflecting the traditional use of cattle as draft animals—is to feed only at maintenance levels, plus a little extra when the animals are at work. The traditional Korean feed is wheat bran and rice straw cooked into a mash.

Also impressive to Koreans is the absence of housing, except for windbreaks and shelters. The Daehan calves are flourishing outdoors, just as calves do in the Texas Panhandle, northwest Colorado, or Montana. In fact, with its mildest winter in 60 years, Korea may have been giving them too warm a welcome; the USFGC feedlot expert on the project maintains that they would eat more and make even better gains if the weather were as cold as usual.

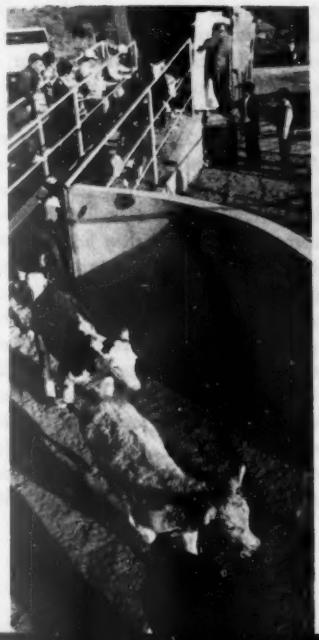


Pen full of calves awaits lowering from plane to truck level, for next leg of journey.

Long line of trucks carrying calves from airport to new feedlot.



Hurrying down ramp from truck, hungry calves head for their Korean home.



Daehan feedlot, like U.S. type, dispenses with housing. Open shelters give calves enough protection.

Poland and Czechoslovakia To Produce More Meat and Milk

By HAROLD C. CHAMPEAU
Grain and Feed Division
Foreign Agricultural Service

Poland and Czechoslovakia, two of the grain-deficit northern countries of Eastern Europe, have focused their current 5-year plans on upgrading the diets of their growing populations, whose rising incomes are increasing pressures for more and better foods, particularly meat.

The main thrust of the diet improvement programs, therefore, will center on meat and meat products and milk and milk products. This, however, will require larger grain and feed supplies, both home-produced and imported.

Both countries presently are heavily dependent on imported feeds to supplement domestic production. In 1971, Czechoslovakia bought 350,000 metric tons of U.S. corn, the first such purchase since 1967-68 and the largest to date. Although this sale was facilitated by shortages of corn among Czechoslovakia's traditional suppliers—the Soviet Union and other East European countries—which have been regular or periodic grain exporters, these countries also are embarked on urgent programs of livestock expansion and meat production. Thus they probably will be importing grains themselves.

If this happens, the United States and other Western countries should be able to ship more grain to East European markets in the next few years. (See *Foreign Agriculture*, Feb. 7, 1972.) The outlook for U.S. corn is particularly favorable.

In grain production, Poland has the edge over Czechoslovakia because it has more arable land, but Czechoslovakia makes this up in part with higher yields.

Czechoslovakia is less than half as large as Poland, with a population of 14.5 million, compared with Poland's 32.6 million. Poland has broad expanses of level farm land and more than half its land area is arable. Czechoslovakia, on the other hand, is mountainous and its rough terrain restricts arable land to only 39 percent of total land area. Czechoslovakia's livestock industry is weaker than Poland's and its grain crop is smaller on a per capita basis despite far higher unit yields.

Both Poland and Czechoslovakia launched new 5-year programs on January 1, 1971, following a devastating season in 1970, when all the countries of Eastern Europe, except Bulgaria, suffered severe setbacks in grain and feed production because of winterkill, heavy rains, floods, or droughts, or a combination of calamities.

Grain production dropped nearly 10 million tons below the 1969 harvest and serious shortages in hay and forage crops developed. Large numbers of livestock had to be liquidated and large quantities of grain—a record 10 million tons—had to be imported.

Thus Poland and Czechoslovakia began setting optimistic goals in new 5-year plans in the face of lowered herd numbers, reduced grain and feed stocks, and a heavy outflow of foreign exchange for grain and feed imports.

Poland. Poland's new plan calls for increases in farm output double those of the 1966-70 plan. Both crop and livestock production are targeted at 17 to 21 percent above the last goal figures.

The highly ambitious livestock program calls for broadened state participation in purchasing animals, slaughtering, maintaining market supplies, and expanding per capita consumption of meat and meat products.

Exports will be maintained at a level consonant with the need to earn foreign exchange for imports of feeds and lower quality meats.

Poland traditionally has been one of the world's leading exporters of processed meats, particularly canned hams. Exported meat and meat products are its leading source of hard-currency foreign exchange.

In the past 2 or 3 years, however, with meat supplies chronically short of consumer demand, the Government has committed itself to larger market supplies of meat and meat products. Planners are determined to meet this commitment, whether from home production or imports.

The goals are specific. Annual per capita consumption of meat and products is aimed at 137 pounds by 1975—a rise of more than 20 pounds over the 118-pound level of 1970. Plans also include increasing milk output by 12 to 14 percent during the same period.

To meet these new targets, large increases in livestock numbers will be needed. Hog numbers will have to be expanded up to 17 million head and cattle to more than 12 million, along with a substantial rise in poultry output. Slaughter is scheduled to increase by 23 percent to 3.7 million tons a year, double the increase achieved during the 1966-70 plan.

To insure progress, Poland will place more dependence on small private farmers, who occupy 83 percent of the farm land and own 87 percent of the hogs, 83 percent of the cattle, and most of the poultry. Deliveries of animals to private farms for fattening will be stepped up. Calf slaughter for veal will be reduced in favor of fattening cattle for slaughter.

The Government buys cattle from farmers under a contract purchasing system. To provide greater profits to suppliers of cattle under this system, purchase prices have been raised. Contracting has been strengthened through the higher prices and other incentives, such as the abolition of compulsory deliveries of grain, livestock, and potatoes.

In response to the new emphasis on livestock expansion and increased meat production, Poland faces a squeeze in its livestock-grain economy. Feed needs are expected to rise sharply. The country already is importing 2 million to 3 million tons of grains a year.

The tight situation may be alleviated

in part through heavy use of secondary feeds, such as potatoes, sugar beet tops and pulp, forage crops, and hay.

However, continually expanding requirements for items in short supply are placing considerable stress on available foreign exchange. Purchases of feedgrains, oilseeds, and large quantities of meat require a large outflow of hard currency.

Of course, Poland is making efforts to meet its feed requirements from domestic production. The Government is focusing attention on expanded acreage and higher yielding varieties of wheat and barley. It hopes to expand grain yields to more than 2,200 pounds per acre—more than 100 pounds above the 1966-70 average. Agricultural planners also are trying to increase yields of potatoes, sugar beets, oilseed crops, forage, and hay.

Oilseed meals have become increasingly important in Poland's feed economy and are expected to continue to grow. Poland is the largest producer of rapeseed in Europe, but harvests fluctuate greatly from year to year because the crop is highly susceptible to winterkill.

Poland produces no soybeans or sunflowers. Thus, since the rapeseed crop is uncertain and rapeseed meal is limited as a feed, the country depends heavily on imports of soybeans and soybean meal, peanut meal, fishmeal, and other sources of high-protein feed.

Industry will be asked to contribute to the livestock expansion drive by supplying fertilizers, construction materials, machinery and equipment, and mixed feeds.

In 1970, 4 million tons of commercially mixed feeds were supplied to agriculture; by 1975 it is hoped that this figure will reach 5 million. Most of the high-quality feeds will go to farmers raising hogs under contract, at a rate of 310 to 410 pounds of feed per hog. Farms producing poultry and cattle for slaughter also will receive industrial feeds, with private farmers given higher priorities than in the past.

Poland's current 5-year plan is now entering its second year. The first year was a mixture of success and failure.

On one hand, the country enjoyed a record grain harvest—20 million tons. But this was offset by a sharp setback in the output of secondary feed crops. Summer drought caused a 25-percent loss of potatoes, 12.6 million tons below 1970, and comparable losses in hay and other forage crops. Altogether, 5 million to 6 million tons of feed equivalent in root and forage crops were lost in 1971 necessitating imports of 3 million tons of grains in 1971-72.

Since irrigation is not widespread, grain and feed crops are subject to the uncertainties of the elements. Thus, if livestock numbers are to expand significantly as planned and expected, the outlook is for continued large grain imports possibly ranging from 1.5 million to 3.5 million tons annually.

To meet expanding hog and poultry feed needs, Poland imported more than 150,000 tons of soybeans and soybean meal in 1971—95 percent from the United States. Imports of soybeans and meal can be expected to rise during the current 5-year plan, perhaps reaching or even exceeding an annual level of 300,000 tons by 1975. The United States can expect to continue to supply the major share of this market.

Results of the drive to raise livestock numbers already are apparent. Hog numbers rose 13 percent in 1971 and cattle 2 percent. No data are available on 1971 meat consumption, but after a slow beginning, the rate of deliveries of animals for slaughter rose late in the year. Meat supplies from domestic and imported sources combined are believed to have exceeded 1970 supplies.

Exports of cattle and beef carcasses to Western Europe probably will be maintained as hard currency earners to pay for pork imports.

Czechoslovakia. Although Czechoslovakia has the second highest living standard in Eastern Europe, the main aim of its current 5-year plan is to raise living standards even higher.

In its efforts, it faces many of the problems faced by Poland. However, the takeoff levels from which gains in production and consumption are to be made during the plan already were higher in 1971 than the levels sought by 1975 in some areas of Poland's consumer economy.

However, because of Czechoslovakia's already high levels of grain yields and meat consumption, goals set for 1975 probably will be harder to reach.

The current plan calls for a 14-percent increase in total farm output and an 18-percent rise in state purchases in order to direct more goods into marketing and consumption channels.

The livestock industry will concentrate on increasing cow numbers and beef, veal, and milk output. State purchases of slaughter animals are expected to rise 18 percent above 1970 purchases. Poultry purchases are forecast at 140,000 tons, up 14 percent. Milk purchasing is predicted to be up by 21 percent.

The food industry has been ordered to process 9 percent more meat, 18 percent more poultry, and 16.7 percent more butter by 1975. Per capita meat consumption is expected to rise from less than 160 pounds in 1970 to 172 by 1975.

Czech planners want to increase purchases of slaughter animals to reverse the downward trend of livestock production which characterized the sixties. Therefore they have set very high goals for grain and feed production. Grain yields are to be raised by 357 pounds per acre to 2,767 by 1975. This would produce a crop of 8.9 million tons of

(Continued on page 12)

Australia Seeks To Boost Exports By Promotion

Despite rising national income from exports of minerals and manufactured products, Australia's agricultural exports are still a major element in the country's balance of trade and are significant social and political factors in its economy. To maintain and expand these farm exports, Government and industry organizations cooperate in a continuing program of promotion. Efforts focus particularly on dairy products, canned fruit, and meat.

This goal is reflected in increased promotion and market development budgets allocated by the country's various commodity boards and by Government agencies. A growing proportion of such funds is being earmarked for markets other than the United Kingdom. This change in emphasis has become essential following the U.K. decision to enter the European Community with the consequent prospects of sharply reduced Australian sales to this traditional outlet.

Export marketing campaigns are credited with helping push Australia's agricultural exports in 1970-71 to the $2.4-billion level. Wool and meat accounted for $1,091.1 million of an agricultural export total of $2,357 million; dairy products and eggs amounted to nearly $114.5 million and grains, fruits, and sugar amounted to some $960 million. Australia's 1970-71 agricultural exports represented more than half of the country's total export earnings of $4,906 million. (All amounts are in U.S. dollars.)

The United States imported Australian agricultural products valued at $338.9 million in 1970-71.

The Australian Government supports export promotion and market development programs for most agricultural commodities, primarily through various offices of the Department of Trade and Industry, which in 1970-71 had a budget of nearly $45.6 million (about $11 million more than the previous year). Export and trade promotion expenditures also increased by $784,000, raising the total for this purpose to nearly $16 million in 1970-71.

One important element of the Australian Government's drive to increase farm export trade is the Overseas Trade Publicity Committee (OTPC). The Committee, consisting of representatives of the Departments of Trade and Industry and Primary Industry and the chairmen of the various commodity boards, coordinates publicity and promotional activities designed to establish consumer recognition of the high quality of Australian food products and to identify them at point of sale.

Although the original purpose of the committee was to support promotional campaigns in the United Kingdom, the OTPC has increasingly turned its attention to market development in other areas. A European Publicity Committee was set up within the OTPC in 1967, while individual country plans have recently been formulated for the Far East, the Middle East, and Canada.

OTPC programs are financed by contributions from the various Australian marketing boards and are matched on a dollar-for-dollar basis by the Government. The Department of Trade and Industry also assumes 75 percent of the administrative costs of the publicity committee.

During 1970-71 the Australian Government spent some $1.4 million for joint promotion campaigns with the various commodity boards. This is an 11-percent increase over the $1.2 million expended for this purpose in the previous fiscal year.

Seventy-five percent of the Government's expenditures in 1970-71 were for the joint support of promotional campaigns of the Australian Dairy Produce Board, the Canned Fruits Board, and the Meat Board.

The Department of Trade and Industry also pays salaries and administrative expenses of the Australian Trade Commissioner Service and spent some $7.8 million for this purpose in 1970-71. As of June 30, 1971, Trade Commissioners and Assistant Trade Commissioners were located at 47 posts in 35 overseas countries.

In addition, the Department pays a subsidy to a shipping company to insure regular sailings between Australia and ports in the Caribbean and on the west coast of South America. The agreement between the two provides for 16 voyages. Thirteen of these had been made as of June 30, 1971, and the remaining three were to have been made in the early part of 1971-72. Subsidy payments for this service in 1970-71 totaled $126,000.

The Department of Trade and Industry spent a large sum to finance the activities of trade missions. Most of this is used for industrial trade mission expenses; however, a considerable percentage of the total is expended for missions dealing with agricultural exports.

In 1970-71 about $5 million was spent by the Department of Trade and Industry on direct export promotional activities, including the $1.4 million for joint campaigns with various commodity boards. The largest share of the Department's expenditures went for fairs, displays, exhibitions, and in-store promotions; for continuing programs such as publications, films, photographic and general public relations projects; and for press, radio, and television advertising and promotion.

In addition to projects financed jointly with the Government, various commodity boards spent an estimated $9.6 million for commodity promotion programs. Of this total, $5.6 million was spent by the Australian Wool Board and $4 million by all other commodity boards.

Many of these commodity boards maintain overseas offices. London is still a primary center of operations for most of them, although some have offices in other cities—New York, Tokyo, Tehran, and Kobe, for example.

The commodity boards generally obtain their promotional funds by making assessments against the production of their members.

The Australian Meat Board, for instance, derives its revenue from a levy on livestock slaughter (22 cents per head for cattle and approximately 2 cents per head for sheep and lambs).

In addition to these commodity board activities, a substantial amount is spent each year in overseas markets by producers and packers on direct brand advertising. Cost estimates for this type of promotion are not available, but there is little doubt that they are of considerable significance.

—Based on a dispatch from the *Office of the U.S. Agricultural Attaché Canberra*

Brazil's Untamed Cerrado: Potential Farms

By JOHN C. McDONALD
U.S. Agricultural Attaché
Brasília

Photo: Courtesy *Cerrado* Magazine.

Brazil is developing as a major world agricultural producer and trader. (See *Foreign Agriculture*, Oct. 4, 1971.) But before it can reach its full potential it must solve several problems, one being the development and utilization of millions of acres of infertile land making up much of the country's 3.3 million square miles.

The most readily available infertile, yet correctable and cultivable soil, is in the central area, where "cerrado" vegetation stretches from the Paraguayan border on the south, north to a point near the equator.

The Portuguese word, cerrado, means closed. In Brazil it is used to describe a type of savanna growth—typically a mixture of stunted trees and shrubs with varying degrees of grassy cover. The area harboring this growth is variously estimated at 580,000 to 1.2 million square miles. The lesser figure is nearly a fifth of Brazil's territory and is greater than the total harvested area in the United States.

The cerrado—sometimes referred to as "campo cerrado" (closed field)—is to be found in most Brazilian States, but it is more concentrated in the southern States of Minas Gerais, Mato Grosso, and Goiás in the great Central Plains region (Planalto Central). The Federal District of Brasília lies in the heart of it.

The origin of cerrado vegetation has long been a subject of controversy. Soil fertility, waterlogging, clearing, burning, climate, soil-moisture-retaining capacity, and ground-water availability are among the factors often pointed to as having shaped cerrado growth.

Without question, low soil fertility is the principal reason for the general absence of forest in the area, but no satisfactory explanation has been made for the great diversity in density, height, growth behavior, and species composition of the various cerrados.

Much of Brazil's cerrado is unoccupied. But there are also marginal farms on which poverty-stricken landowners or squatters grub out an existence. In rarer cases, improved techniques are transforming parts of the cerrado into prosperous areas of rainfed crops and better pastures.

A proposed National Agricultural Research Program drafted in 1968 by Dr. James L. Haynes, a research agronomist, working under the auspices of the Agency for International Development, gives additional information about the contrasts in the Central Plains region in which the cerrado lies:

- It has some soils known to be suited for intensive agricultural production and others about which nothing is known.
- Some areas produce under familiar soil management methods, some do not.
- Tests have been made of some areas to determine yields, yet no projections can be made from these tests to determine yields of other areas.
- Vast reaches of the Central Plains have excellent structure and internal drainage, yet scientists do not yet know whether the soil will remain stable under cultivation.

Despite these variables Dr. Haynes says ". . . Brazil possesses sufficient soil resources suitable to application of industrialized agricultural technology that, if used according to their potential capacity, . . . (would enable it to) compete favorably with any nation in the world."

He also stated that because the Central Plains region lies in the geographic path of expansion into Central Brazil, the kind and rate of future expansion into some areas of the Planalto "will determine the economic performance of the national agricultural sector during the next decade."

Dr. Roberto Meirelles de Miranda, Director General of the National Department of Agricultural Research, expressed a more guarded opinion regarding Brazil's cerrado soil resources:

"The cerrado is a vast area of good topography and physical soil conditions. I am hopeful that it will have a big impact in the future when we obtain experimental results defining techniques for exploiting it. The lack of fertility can be corrected, but the great problem lies in the economics of the correction."

(Limestone is plentiful in Central Brazil, but fertilizers are costly, and producer returns have not been sufficient to warrant investing in soil correctives and other modern inputs so long as lands of relatively high fertility were available. But as markets grow and the remaining better lands are brought into cultivation, the economic balance may be expected to swing toward utilization of the cerrado.)

Dr. Meirelles believes that the proper approach to the cerrado problem, in view of a general shortage of resources, is initially to concentrate on extensive livestock production, and slowly make it more intensive.

"In the beginning we should use small amounts of fertilizer, minerals,

(Continued on page 12)

CROPS AND MARKETS

SUGAR AND TROPICAL PRODUCTS

Uganda Acts To Curtail Sugar Shortages

In an effort to improve its sugar position, the Government of Uganda recently raised the wholesale and retail prices of sugar and the price paid for cane to the growers by the sugar manufacturers. With the retail price for sugar in Uganda now on par with that in Kenya, it is expected that less sugar will be diverted across the border.

Raising the price of cane was undertaken to encourage the growers to sell their cane to the sugar mills rather than to local jaggery (crude sugar) factories and alcohol producers who, over the past few years, have been increasing their purchases and paying considerably higher prices for cane than the sugar manufacturers. Another measure taken by the Government is to require all cane growers within a radius of 15 miles of Uganda's three sugar factories to sell cane only to these factories.

Drought Threatens Ceylon's Tea Crop

Ceylon, the world's second largest producer of tea, is currently facing the threat of a major drought, which has already adversely affected the tea and rice growing areas.

Ceylon's tea production during the past 3 years has been below average and the 1970 crop was the lowest since 1962 (although the 1971 harvest recovered slightly to 217,773 metric tons from 212,210 tons in the previous year). Unless weather conditions improve, the 1972 crop will be small and Ceylon's economy will suffer, since tea usually accounts for nearly two-thirds of the foreign exchange earnings.

Ceylon is the largest source of U.S. tea imports. In 1971, tea imports from Ceylon amounted to 24,874 tons valued at $23 million, out of total U.S. tea imports of 79,575 tons valued at $71.4 million.

FATS, OILS, AND OILSEEDS

Palm Oil Imports Expand in 1971

Palm oil imports into the 12 major importing countries during the months of 1971 for which data are available increased by 167,800 metric tons, or 29 percent. In the same months of 1970, these 12 countries' imports amounted to 581,600 tons, or 77 percent of world palm oil exports for all of 1970.

More than 90 percent of the 1971 increase moved to the United Kingdom, West Germany, the Netherlands, and the United States. U.S. imports at 103,000 metric tons increased 61 percent. U.S. consumption of palm oil during the October 1970-September 1971 period was estimated at 86,600 tons, or 1.7 percent of total U.S. food fat consumption. U.S. imports during the most recent 12-month period for which data are available (through January 1972) were 123,000 metric tons.

In 1971 U.S. imports accounted for nearly 11 percent of world palm oil exports against 8 percent in 1970 and an average of 6 percent during 1965-69.

World exports of palm oil in 1971 totaled 1.15 million metric tons, or 51 percent of world output. About 47 percent of world palm oil output, or 950,000 tons, moved into export in 1970. This represents a substantial increase from the 1965-69 period when world exports of palm oil averaged 605,000 tons, or 43 percent of world palm oil output.

Further substantial expansion of world palm oil output is expected to boost exportable supplies to an increasing proportion of output.

PALM OIL IMPORTS INTO MAJOR MARKETS

Country	Period	1970	1971
		1,000 metric tons	*1,000 metric tons*
Belgium	Jan.-Sept.	18.0	20.6
France	Jan.-Dec.	41.1	48.7
West Germany	Jan.-Dec.	115.9	150.2
Italy	Jan.-Oct.	41.9	43.4
Netherlands	Jan.-Sept.	63.8	84.2
Canada	Jan.-Dec.	12.1	12.9
United States	Jan.-Dec.	64.0	103.0
Denmark	Jan.-June	3.6	5.4
Portugal	Jan.-Nov.	16.7	17.9
United Kingdom	Jan.-Dec.	162.7	222.7
Spain	Jan.-Dec.	4.3	4.3
Japan	Jan.-Nov.	37.5	36.1
Total		581.6	749.4

PALM OIL PRICES [1]

Month	1968	1969	1970	1971	1972
	U.S. cents per lb.	*U.S. cents per lb.*	*U.S. cents per lb.*	*U.S. cents per lb.*	*U.S. cents per lb.*
January	8.7	7.2	11.6	12.4	9.4
February	8.7	7.3	11.6	12.8	7.7
March	8.7	8.1	11.8	12.6	—
April	8.6	7.7	12.1	12.3	—
May	8.5	7.5	12.6	11.2	—
June	8.0	7.5	12.6	10.9	—
July	7.8	7.3	12.1	12.0	—
August	6.8	7.8	11.0	12.6	—
September	6.4	8.2	8.0	12.0	—
October	6.4	9.2	11.3	11.1	—
November	6.4	—	12.2	10.8	—
December	7.0	11.6	12.3	10.1	—
Average	7.7	8.1	11.6	11.7	—

[1] Malaysian, bulk 5 percent, c.i.f. European prices.

WORLD PALM OIL PRODUCTION AND EXPORTS AND U.S. IMPORTS

Year	World production	World exports	Exports as a proportion of production	U.S. imports	U.S. imports as a proportion of world exports
	1,000 metric tons	*1,000 metric tons*	*Percent*	*1,000 metric tons*	*Percent*
1965...	1,385	551	39.8	3	0.5
1966...	1,420	627	44.2	34	5.4
1967...	1,275	494	38.7	29	5.9
1968...	1,405	642	45.7	47	7.3
1969...	1,570	710	45.2	72	10.1
1970...	1,790	755	42.2	64	8.5
1971...	2,015	950	47.1	103	10.8
1972...	[1] 2,250	[1] 1,150	[1] 51.1	([2])	([2])

[1] Forecast. [2] Not available.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 29	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14 ..	1.98	0	[1] 1.99
USSR SKS-14	1.86	([2])	1.98
Australian FAQ	([2])	([2])	1.86
U.S. No. 2 Dark Northern Spring:			
14 percent	1.92	−1	1.99
15 percent	1.98	0	2.02
U.S. No. 2 Hard Winter:			
13.5 percent	1.82	+1	2.00
No. 3 Hard Amber Durum..	1.85	−1	1.91
Argentine	([2])	([2])	([2])
U.S. No. 2 Soft Red Winter..	([2])	([2])	1.84
Feedgrains:			
U.S. No. 3 Yellow corn	1.43	+1	1.71
Argentine Plate corn	1.67	+2	1.73
U.S. No. 2 sorghum	1.50	+1	1.50
Argentine-Granifero sorghum	1.52	+1	1.49
U.S. No. 3 Feed barley	1.22	+2	1.43
Soybeans:			
U.S. No. 2 Yellow	([2])	([2])	3.36
EC import levies:			
Wheat [3]	[4] 1.64	−1	1.47
Corn [5]	[4] 1.10	−1	.83
Sorghum [5]	[4] 1.03	−2	.96

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

World Oat Crop Gains in 1971

World oat production in 1971 is estimated at 52.5 million metric tons, 3 percent over the 1970 crop, although area planted in oats declined 4 percent. The principal production increases were in Western and Eastern Europe.

A detailed table appears in the March *World Agricultural Production and Trade—Statistical Report.*

OAT PRODUCTION IN SPECIFIED AREAS

Area	1970	1971
	1,000 metric tons	*1,000 metric tons*
Canada	5,673	5,817
United States	13,190	12,712
France	2,070	2,500
West Germany	2,484	3,037
Sweden	1,685	1,781
Poland	3,209	3,205
USSR	11,400	11,400
Others	11,157	12,013
Total	50,868	52,465

World Barley Production Sets a Record in 1971

World barley production in 1971 totaled 133 million metric tons, 13 percent over the 1970 high. World area planted in barley gained 4 percent and yield increased 9 percent.

Canadian production rose 58 percent; U.S. production, 13 percent; West European production, 17 percent; and East European production, 15 percent.

A detailed table appears in the March *World Agricultural Production and Trade—Statistical Report.*

BARLEY PRODUCTION IN SPECIFIED AREAS

Area	1970	1971
	1,000 metric tons	*1,000 metric tons*
Canada	9,051	14,257
United States	8,923	10,069
France	8,009	8,950
West Germany	4,754	5,774
United Kingdom	7,496	8,576
Denmark	4,813	5,474
Spain	3,092	4,611
Eastern Europe	8,990	10,336
USSR	30,600	30,700
Australia	2,351	3,078
Others	29,445	30,770
Total	117,524	132,595

Major Exporters Have Larger Grain Stocks

Stocks of wheat, rye, barley, oats, and corn in the four principal grain exporting countries totaled 256 million metric tons on January 1, 1972, 12 percent above a year earlier.

Barley and rye stocks each rose 25 percent; corn, 23 percent; and oats, 3 percent. Wheat stocks fell 3 percent.

A detailed table appears in the March *World Agricultural Production and Trade—Statistical Report.*

GRAIN STOCKS IN EXPORTING COUNTRIES, JANUARY 1, 1972

Kind	United States	Canada	Argentina	Australia	Total
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Wheat	42,277	26,203	5,600	11,101	85,181
Rye	1,384	704	235	—	2,323
Barley	8,553	12,519	485	3,259	24,816
Oats	13,591	5,490	450	2,312	21,843
Corn	117,915	1,626	1,930	—	121,471
Total ...	183,720	46,542	8,700	16,672	255,634

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE, $300

If you no longer wish to receive this publication, please check here ☐ and return this sheet, or addressed portion of envelope in which publication was mailed.
If your address should be changed ☐ PRINT or TYPE the new address, including ZIP CODE, and return the whole sheet to:
Foreign Agricultural Service, Rm. 5918
U.S. Department of Agriculture
Washington, D.C. 20250
This publication is being mailed First Class to take advantage of cheaper mailing rates available under Public Law 91-375, May 16, 1971.
FOREIGN AGRICULTURE

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE

U.S.MAIL

First Class

Brazil's Cerrado

(Continued from page 9)

vaccines, and so forth," he said, "and increase them gradually as production and incomes improve."

In his book, "The Agricultural Development of Brazil," G. Edward Schuh said in 1970 that "despite the low fertility level of most Brazilian soils, many of them have a great potential." He continued: "The basic soil structure seems to be good and, with the exception of the Northeast, the rainfall is adequate.

"The addition of the three principal plant nutrients (nitrogen, phosphorus, and potash), plus some of the minor elements, turns the leached-out soils into highly productive soils. The development of a strong fertilizer industry is quite important, however, as is research which identifies nutrient limitations and estimates yield response."

Dr. Schuh noted that Brazil is relatively one of the smallest users of fertilizer in the world despite the low level of major plant nutrients in the soils under cultivation and high acidity that limits yields of the principal crops.

William M. Denevan, a University of California geographer who investigated the agricultural potential of the Planalto Central in 1963, wrote in his report: "If technical and economic means can be developed for farming the infertile campo soils, the Planalto can become a major center for crop and livestock production."

In support of this thesis, Mr. Denevan listed the area's pleasant temperature, plentiful rainfall, near absence of frost, a topography favorable for mechanization, sparse population, adequate highways, and nearness to markets.

Poland and Czechoslovakia

(Continued from page 7)

grain—1.7 million tons and 24 percent higher than in 1970.

The 1975 target for mixed feed production is a 30-percent increase to 5 million tons, with heavy emphasis on corn and high-protein components.

Grain yields in 1971—a record year—exceeded the 1975 target and total grain output of 8.8 million tons was just short of the 1975 production goal. If Czechoslovakia can repeat this excellent performance in 1972, there may be some reduction in the level of wheat imports. They currently stand at about 1.3 million tons a year, mostly from the Soviet Union.

However, a decrease in imports would depend mainly on the quality of the wheat obtained from increased output. Also, a shortfall in root and forage crops in 1971 probably will cause a rise in grain imports during 1971-72 despite the record grain crop.

Czechoslovakia will try to curb an uptrend in feedgrain imports by expanding corn acreage about 10 percent a year. However, in 1971, corn was grown on only about 371,000 acres and prospects for expansion are limited. Meanwhile, requirements of feedgrain, particularly wheat and corn, are expanding.

In the area of high-protein feeds, Czechoslovakia is particularly weak. It has the smallest oilseed crop in Eastern Europe, with production limited primarily to rapeseed, averaging 69,000 tons a year and flaxseed, averaging 13,000 during the 1966-70 plan period.

A program is in progress to expand soybean cultivation dramatically in the next 10 years. Presently, less than 2,000 acres are under commercial cultivation, yielding 1,600 to 1,800 pounds per acre.

Because of this limited availability, Czechoslovakia has been forced to import large quantities of high-protein feeds. In 1971, it took 300,000 tons of oilseeds and meal, mostly from the United States, and 120,000 tons of fishmeal. It probably will import about the same amount this year. The United States can expect to maintain an important share in Czechoslovakia's high-protein import trade.

While rebuilding its livestock herds, Czechoslovakia has found it necessary to import up to 100,000 tons of meat a year, but does not consider continued large meat imports desirable, preferring instead to import feedgrains. So the outlook is for a reduction in meat imports as livestock and meat output expands.

Meanwhile, Czechoslovakia will continue to export high-quality meat cuts—largely from beef—to Western markets. This trade supports imports of less expensive meats. In some years the earnings of 1 ton of export meat have paid for up to 2 tons of imported pork.

Domestic pork production will be expanded only to the extent that it needs to keep up with rising consumption demands. The application of industrial production techniques probably will have a favorable effect on both hog and poultry output.

The most difficult area to improve in Czechoslovakia's livestock industry will be cattle and beef output. Despite the optimistic plans and the attention being devoted to this segment of the economy, results probably will only become gradually evident.

★ U. S. GOVERNMENT PRINTING OFFICE : 1972 481-060/30